

Report to the Legislature

The State Training & Employment Program

Alaska Department of Labor & Workforce Development
Division of Business Partnerships

February 2003



Alaska Workforce Investment Board
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Introduction

This report is written in response to 2002's Senate Bill 252 (Sec. 48) which directed the Department of Labor & Workforce Development to submit a report on five elements of the State Training and Employment Program. The five elements include an outreach plan; a certification verification plan; the department's recommendations on allowable nonadministrative costs for program expenses; a data collection and reporting plan, and the state of the governor's discretionary fund for statewide activities. These topics are addressed in the second half of this report. The first half serves to introduce the program itself.

The State Training and Employment Program, also known as STEP, is a unique worker-funded program designed in Alaska in 1990¹. It has provided training opportunities for more than 14,000 individual Alaskans. It is a small set-aside of employee contributions to the Unemployment Insurance Trust Fund.

STEP does not supplant other job-training programs. Rather, it is an alternate resource when other funds are not available. STEP is Alaska's only state-funded job training program. STEP has remained a pilot program since its inception, and legislative sunset dates have varied from one to four years. The Alaska Workforce Investment Board is the oversight body for the STEP program.

Goals for the program are:

- Reduce demand on the Unemployment Insurance Trust Fund by helping to reduce claims for future unemployment benefits.
- Foster new jobs by encouraging businesses to locate in Alaska due to the availability of a skilled labor force and minimal unemployment insurance costs.
- Increase training opportunities for workers severely affected by fluctuations in the economy or technological changes in the workplace.



Guiding Principles:

- Reduce or prevent the amount of time participants utilize unemployment benefits;
- Place workers in newly created occupations;
- Provide training that is directly related to gaining or retaining employment;
- Provide training in occupations identified as demand occupations, and
- Provide incumbent workers with services and training assistance to

¹ AS 23.15.620

avert layoffs or job loss, and to provide upward mobility.

Alaska's Training Fund

While the State Training and Employment Program can meet individual needs, it is primarily a competitive grant program. Each year STEP grants are awarded to post-secondary schools and training institutions, employers who provide training, and profit and non-profit entities that have a demonstrated need for trained workers.



These entities are motivated to provide the best training they can because it will benefit their organization or an occupational field to which they have close ties. Because the program serves individuals who have a work history, STEP recipients are motivated to learn new skills or upgrade existing skills. Grants are also awarded according to the trainee's likelihood for full employment at the conclusion of the training.

Through the competitive grant process, STEP meets the emerging workforce needs of industries and moves Alaska workers into jobs that might otherwise go to workers hired from outside the state. For instance, some of the STEP grants awarded this fiscal year responded to identified shortages for certified nursing assistants, early childhood teachers and

teachers' aides, seafood plant operators, computer-trained bookkeepers and hazardous material workers.

STEP grants have also trained apprentices for traditional trades, such as many areas of construction, underwater welding, heavy equipment operators, electricians and piledrivers, and painters and allied trades. In the first four months of this year, 1,196 people have been served through STEP grants.

Two important program goals of STEP are to foster new jobs by encouraging businesses to locate in Alaska, and to increase the training opportunities for workers affected by economic fluctuations or technological change.

Program Details

The STEP program benefits both the employed and the unemployed worker, and STEP clients live in every area of the state.

Most STEP clients are eligible for the program because they have a work history. During the application process, STEP clients select from a list of characteristics that describe their reasons for applying for services. STEP trains participants in jobs to increase their employment opportunities.

Funding for STEP comes directly from worker contributions to the Unemployment Insurance Trust Fund. While it is a small amount (1/10 of one percent of each worker's contribution), it results in hundreds of people, who would not otherwise get training, being educated for jobs each year. Investment in additional employment training and skills enhancement is intended to reduce participants' future reliance on the unemployment insurance system.

In the early years of STEP, program oversight was problematic because of the number of small grants distributed through a large network of vendors. When the Alaska Workforce Investment Board (then known as the Alaska Human Resource Investment Council or AHRIC) was established in 1995, it was charged with planning and coordinating federal, state and local employment training programs in Alaska.



In August 1996 the AWIB and the departments of Community and Regional Affairs and Labor adopted performance measures to determine the success by which STEP met its program goals and objectives. Data collection and analysis have been improved as part of program strategies adopted in June 2000.

STEP clients are tracked to ensure compliance with program goals and objectives, which include a demonstrated reduction in future unemployment insurance claims, employment in the occupation clients are trained for, and training in occupations that are

experiencing worker shortages (identified in the AWIB industry priority list).

In addition to policy oversight by the AWIB and the Legislature, the Alaska Workforce Investment Office manages the STEP program on a day-to-day basis. STEP program staff coordinates services with the two local workforce investment boards, the Anchorage/Mat-Su Local Workforce Investment Board and the Balance of State Workforce Investment Board.

Much of the work of job training under STEP is contracted out to public and private post-secondary educational institutions, private for-profit and not-for-profit businesses, apprenticeship and training trusts and tribal organizations.

All training vendors receiving STEP funds must be authorize or exempted by the Alaska Commission on Postsecondary Education, as explained more fully later in this report.

The Department of Labor and Workforce Development's Research and Analysis Section, in cooperation with Alaska's Workforce Investment Office, produce an annual report of the STEP program.

The report, *State Training & Employment Program, Program Review for FY01-FY02*, contains in-depth information outlining the characteristics of STEP clients, the cost of providing services, measures of the program's success and information relating to wage recovery after STEP participation.

Outreach Plan

The Department of Labor and Workforce Development promotes the State Training and Employment Program (STEP) in a number of ways. A marketing company was hired and did market research in early 2001. After assessing their audience, the company developed public service announcements, a presentation video and a PowerPoint slide show to promote the workforce investment system, including STEP.

More STEP funding has been funneled into the public bidding process than ever before. This system, commonly known as the Request for Proposal (RFP) process, gives the general public direct access to the funds through competitive grants. Because of outreach and word of mouth from successful bidders, the interest and participation in the RFP process continues to grow.



For example, three years ago each local area issued one RFP each, soliciting projects using STEP money. One year ago, there were three RFP opportunities, with 21 projects funded, and this year there were two, funding 30 projects. The Department is prepared to announce two more RFP opportunities if funds become available.

In November the second annual Workforce Investment Act Conference was held at the Egan Convention Center.

Over 700 participants from every region of Alaska attended. A workshop was offered that spoke to funding streams available in Alaska, including detailed information about STEP.

The AWIO STEP manager visited each STEP grantee in the Anchorage area to promote program awareness and hosted a one-day STEP conference in late November for stakeholders from all over the state. Forty-three grantees and contractors attended. A distribution list was developed from this meeting and is an effective tool for mass distribution of program information. The program manager will continue to hold regularly scheduled ½ day forums with STEP grantees to discuss their projects and to better link the program with the private sector.

An electronic newsletter *In STEP* is also being developed to ensure regular communication with existing grantees and to showcase individual training programs.

Certification Verification Plan

In the spirit of coordination and collaboration, the Alaska Workforce Investment Board signed a Memorandum of Understanding with the Alaska Commission on Postsecondary Education giving the AWIB some responsibility for certification of post-secondary vocational and training institutions.

AWIB and ACPE now work together on a regular basis on authorization and certification of training institutions. AWIB's new project assistant monitors and assists the vocational training institutions in obtaining and maintaining certification, while the ACPE coordinator does the same for the other postsecondary institutions.

The Request For Proposals process informs all bidders of the Alaska Commission on Postsecondary Education certification requirements. A successful bid is not funded until the applicant provides verification of their status with the ACPE. It is treated much like the requirement to have a business license. The following is an excerpt from the RFP language:

Eligible Entities (Who May Apply): Any non-profit or for-profit organization, business, or agency with the capacity to provide the services described in this RFP is eligible to apply for a STEP grant. Under the provisions of AS 14.48.020, all training entities must be authorized or exempted by the Alaska Commission on Postsecondary Education (ACPE) in order to provide postsecondary training services in Alaska. If the proposal is awarded a STEP grant, proof of ACPE authorization or exemption must be submitted before the grant agreement is finalized.

Further information on may be obtained from the Workforce Investment Board.

Allowable Program Services

AS 23.15.640 outlines specific non-administrative services that are allowed to be delivered with STEP dollars. These services include:

- **High-demand occupational training.** This is training for industries with a high demand for workers where the participants will learn industry-recognized skills, competencies and/or certifications. Successful completers should have a reasonable expectation of employment within the field of training. Some examples

of high-demand occupation jobs are found in the health care field, information technology, transportation and construction (biannually identified priority occupations).

- **On-the-job training.** OJT is provided by employers at the work site and provides participants the knowledge or skills essential to the full and adequate performance of a specific job. Employers must make a commitment to continue the participant's employment if they successfully complete the terms of the OJT agreement.
- **Customized job-linked training.** This is an "off-the-shelf" training based on the needs of a specific employer rather than those of an industry as a whole. Training is provided by someone other than the employer, usually in a classroom, and is designed to ensure trainees acquire the skills and knowledge necessary to maintain or improve their employability with that particular employer.
- **Services necessary for job placement activities:**
 - ✓ Staff time to provide skills assessment, resume preparation, job interview and job search skills building and individual case management as needed to obtain employment (non-reimbursable).
 - ✓ Relocation service to move a participant to another community for secured employment (non-reimbursable).
 - ✓ A loan to purchase tools, work-related clothing, and safety gear

- necessary for participant to accept a job (reimbursable).
- Services necessary for job-training support activities:
 - ✓ Staff time to provide services such as skills and aptitude assessment, vocational counseling and individual case management to successfully complete training (non-reimbursable).
 - ✓ Necessary payments directly related to training such as tuition, books, fees, vendor fees for costs related to the provision of training services, materials and supplies, moving the participant to another community for training, living allowances, childcare, and transportation (non-reimbursable).
 - ✓ Payments to either the training institution or a reimbursement to a participant for the provision of tools, work-related clothing and safety gear necessary to participate in the training in order to obtain employment (reimbursable if the purchases become the property of the participant upon completion of the training).

Funds of Last Resort, Data Collection and Reporting

STEP was designed to be a “fund of last resort,” and not be used to displace other federal, private and public training funds. There have been some problems with this in the past, but the incidents have been isolated and rare, and it is not a policy at

any level to use STEP funds when other training funds are available. Local areas detail this requirement in any RFP issued. However, to further ensure that these mistakes aren’t made in the future, the AWIO has strengthened the grant “boilerplate” (generic) language, adding quarterly reporting and data collection requirements.



The AWIO has also issued a draft policy on the “fund of last resort” issue, retooled the MIS data collection system to generate vendors’ detailed reports and redesigned the program application to include a justification for using STEP funds. They have designed a system that provides grantees electronic reporting forms so that they get information faster and in a consistent format. A copy of current grant boilerplate language, the quarterly report and the electronic application is available upon request.

Reimbursable Employers

Since inception, the State Training and Employment Program, within the Department of Labor and Workforce Development, has provided program services to all eligible state residents without discrimination. In particular, a participant’s prior employer’s unemployment insurance payment status (either regular contributory or reimbursable employer) is not considered.

The Department does not embrace a public policy to deny services to unemployed Alaska workers. The Department's policy as defined by the Legislature can be found in Alaska Statute 23.20.010. The policy states:

Economic insecurity due to involuntary unemployment is a serious menace to the health, morals, and welfare of the people of the state. Involuntary unemployment is, therefore, a subject of general interest and concern, which requires appropriate action by the legislature to prevent its spread and to lighten its burden and to maintain purchasing power as a factor in stabilizing the economy of the state. This can be accomplished by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment, from which benefits may be paid for periods of involuntary unemployment. The legislature, therefore, declares that, in its considered judgment, the public good and the general welfare of the citizens of the state require the enactment of this measure, under the police power of the state, for the operation of public employment service offices and for the establishment of an employment security program to be used for the benefit of eligible unemployed persons.

Under the spirit of this legislation, the Division of Employment Security must focus on the needs of the Alaskan worker to become reemployed. To base an individual's eligibility on their prior employer's method of UI tax payments is not in keeping with our mission.

In addition, the UI Trust Fund average balance in fiscal year 2001 was \$208,201,423.00. The total STEP fund for the same year was \$4,262,856.00. Based on training dollars spent in 2001, only \$311,000.00 went to persons who worked for reimbursable employers. This amount

is immaterial when compared to the UI Trust Fund. Had we not served these 171 people, there would have been no significant impact on the UI Trust Fund solvency. Had we attempted to monitor participant's prior employer's UI contributory status, the cost of administering the STEP program would have increased for the remaining participants.

In summary, the Department concludes that any effort to deny services to eligible Alaskans would fall outside of the spirit of the law and the Department's policy. The cost of managing such a policy would be a misuse of staff resources and a disservice to the general public.

Discretionary Fund for Statewide Activities

The Legislature, in reference to STEP, questioned the status of the governor's discretionary fund for statewide activities established as part of the 1999 Alaska Human Resource Investment plan. The discretionary fund for statewide activities is a federal Workforce Investment Act provision and isn't applicable to the State Training and Employment Program.

